

ANNUAL REPORT

JUNE 30, 1979

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DIGITECH LTD.

A RESOURCE DEVELOPMENT SERVICE COMPANY



DIRECTORS:

Donald C. Burt, President, Digitech Ltd., Calgary, Alberta
Richard Burke, Vice President, Canadian Enterprise Development Corporation Limited, Vancouver, B.C.
E. Keith Conrad, Partner, Conrad, Bloomenthal, Calgary, Alberta
David B. Nicholson, Management Consultant, Calgary, Alberta
Donald W. Simpson, Executive Vice President, Digitech Ltd., Calgary, Alberta
Donald G. Thurston, Vice President, Bow Valley Resource Services Ltd., Calgary, Alberta

OFFICERS:

Donald C. Burt, President
E. Keith Conrad, Chairman of the Board
Donald W. Simpson, Executive Vice President
W. D. DeGraff, Secretary-Treasurer
Hilton G. Hack, Vice President
Roger R. Rose, Vice President
Neil M. Thompson, Vice President

HEAD OFFICE: DIGITECH LTD.

441 - 5 Avenue S.W.
Calgary, Alberta T2P 2V1

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company
Calgary, Toronto and Vancouver

AUDITORS:

Price Waterhouse & Co.
Calgary, Alberta

LEGAL COUNSEL:

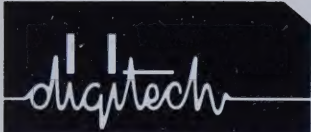
Macleod Dixon
Calgary, Alberta

BANKERS:

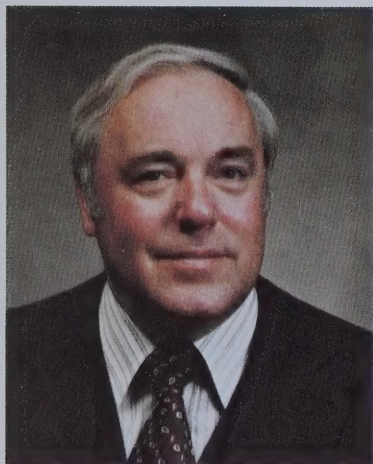
The Toronto Dominion Bank
Calgary, Alberta

STOCK LISTED:

Toronto Stock Exchange



REPORT TO THE SHAREHOLDERS OF DIGITECH LTD.



For the fiscal year ended June 30th, 1979, we are pleased to report that DIGITECH LTD. attained excellent growth in revenue and profit.

Consolidated revenue totalled \$12,175,000, resulting in an after tax profit of \$1,732,000 or 68¢ per share. This compares to total revenue of \$5,973,000 and profit of \$946,000 or 44¢ per share for fiscal 1978, reflecting an increase in revenue of 104% and profit of 54%.

As in fiscal 1977 and 1978, the fourth quarter results for fiscal 1979 established another record for the Company. Consolidated revenue totalled \$3,053,000, an increase of 54% over the corresponding period last year and after tax profit of \$682,000, an increase of 39% over last year. This marks the eleventh consecutive quarter that DIGITECH LTD. has recorded a profit.

Two dividends were paid in fiscal 1979; 10¢ per share on October 26, 1978 and 12½¢ per share on March 2nd, 1979.

Our subsidiary companies, DIGISEIS Exploration Ltd., Calgary and DIGISEIS Exploration, Inc., Denver, both contributed substantially to our success.

DIGISEIS Ltd. commenced operations in July, 1978 with its first dynamite crew and added the second crew in late October. Indications are that the winter of 1979-80 should see the resumption of geophysical acquisition with the crew count returning to the level of the previous winter.

DIGISEIS Inc. commenced operations with its first 'Vibroseis'* crew in early September 1978, and a second crew was added in May 1979. Geophysical

activity has continued at a high level in the United States and with the energy crisis, no abatement is forecast until the traditional winter slow down.

During the last year, DIGITECH LTD. continued to expand its data processing capabilities. In December 1978, a UNIVAC 1106 was installed as a temporary measure to increase capacity. This capacity was quickly filled and in June 1979, a UNIVAC 1100/81A was purchased and at the time of this report, is fully operational. This UNIVAC 1100/81A has a capacity of approximately five times that of the 1106 and should have a very positive effect on the earnings in fiscal 1980.

In February, DIGITECH LTD., in association with Industrial Life-Technical Services Inc. (IST), a Montreal based computer service company, initiated a new division to provide IBM oriented commercial data processing.

In addition to more cost effective hardware, our software is constantly being upgraded and new services and products added to meet the needs of the industries.

We view the year that lies ahead with optimism and look forward to achieving even greater levels of corporate growth in fiscal 1980.

As you can see from the results, fiscal 1979 has been the most successful year in the history of DIGITECH LTD. The Company has been built by employees, whose skill and dedication have made DIGITECH LTD. the success story it is. On behalf of the Board of Directors and officers, I extend our sincere appreciation to our employees.

In closing, I would like to extend my appreciation to the officers and Directors of DIGISEIS Exploration Ltd., DIGISEIS Exploration, Inc. and DIGITECH LTD. for their advice, help and cooperation during the past year. It is indeed a privilege to be associated with so many fine individuals.

A handwritten signature in dark ink, reading "D. C. Burtt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

D. C. BURTT
President

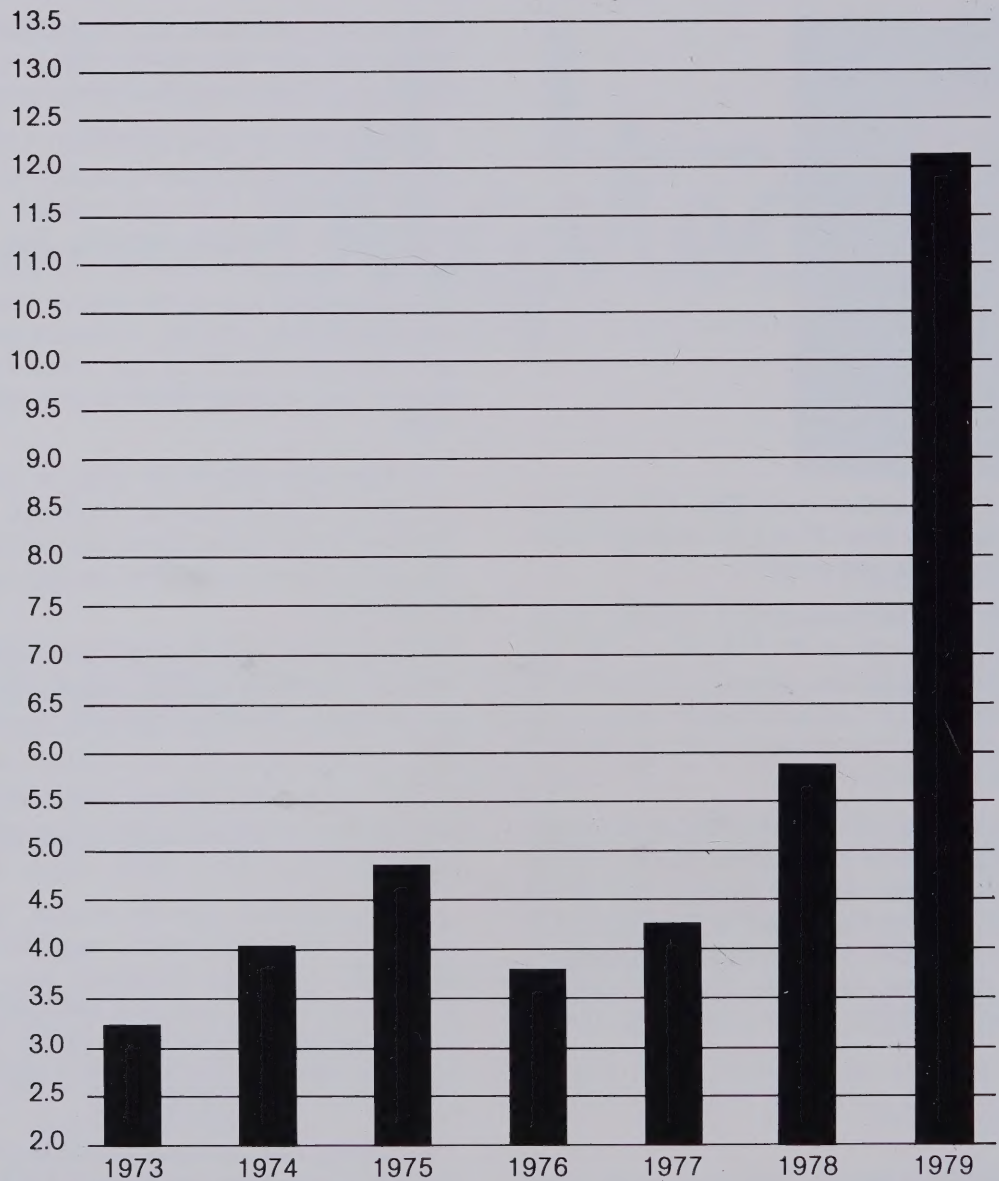
September 4, 1979

* Registered trademark of Continental Oil Co.



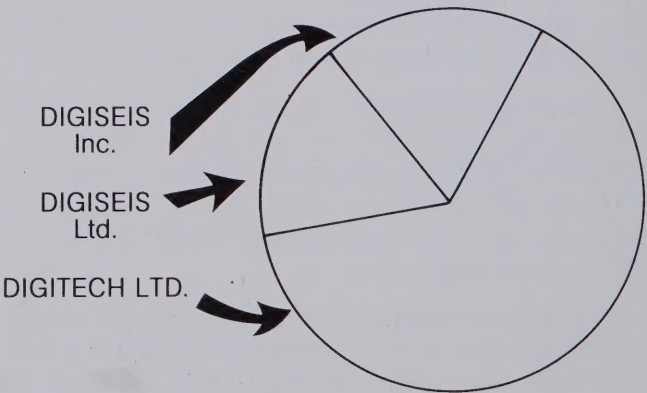
REVENUE GROWTH

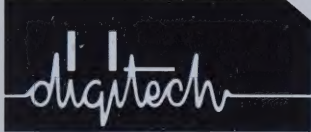
Millions of Dollars



DISPOSITION OF REVENUE

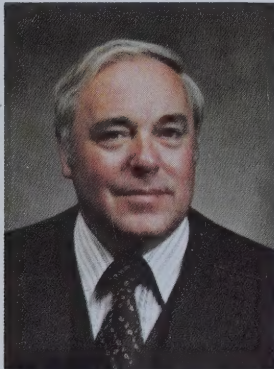
DIGITECH LTD.	67%
DIGISEIS Exploration Ltd.	18%
DIGISEIS Exploration, Inc.	15%
	<u>100%</u>



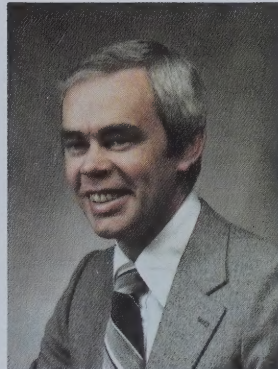


SENIOR COMPANY PERSONNEL

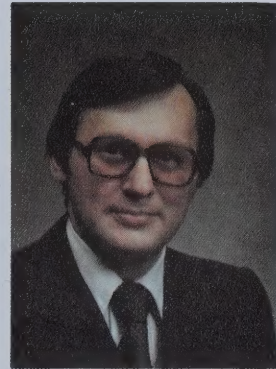
DIGITECH LTD.



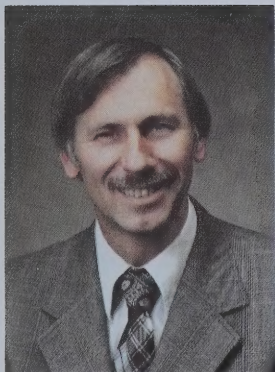
D. C. Burtt
President



D. W. Simpson
Executive
Vice President



W. D. DeGraff
Secretary-Treasurer



H. G. Hack
Vice President
Geophysical



N. M. Thompson
Vice President
Information Services

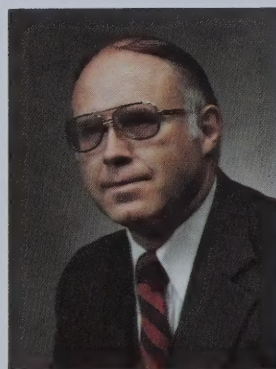


R. R. Rose
Vice President
Operations

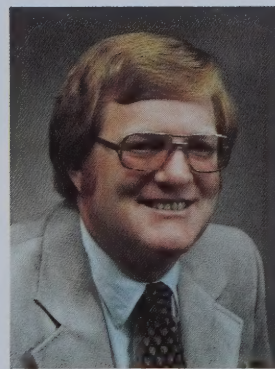


W. G. Carr
Marketing

DIGISEIS EXPLORATION



H. K. Johnstone
Vice President
and General Manager
DIGISEIS LTD.



T. R. Chaplin
Vice President
and General Manager
DIGISEIS INC.



DIGITECH — THE COMPANY

Digitech is the largest commercial earth science computer processing company in Canada. Digitech's strength lies in our ability to offer TOTAL CAPABILITY through our complete range of integrated data processing services to the petroleum and other resource industries.

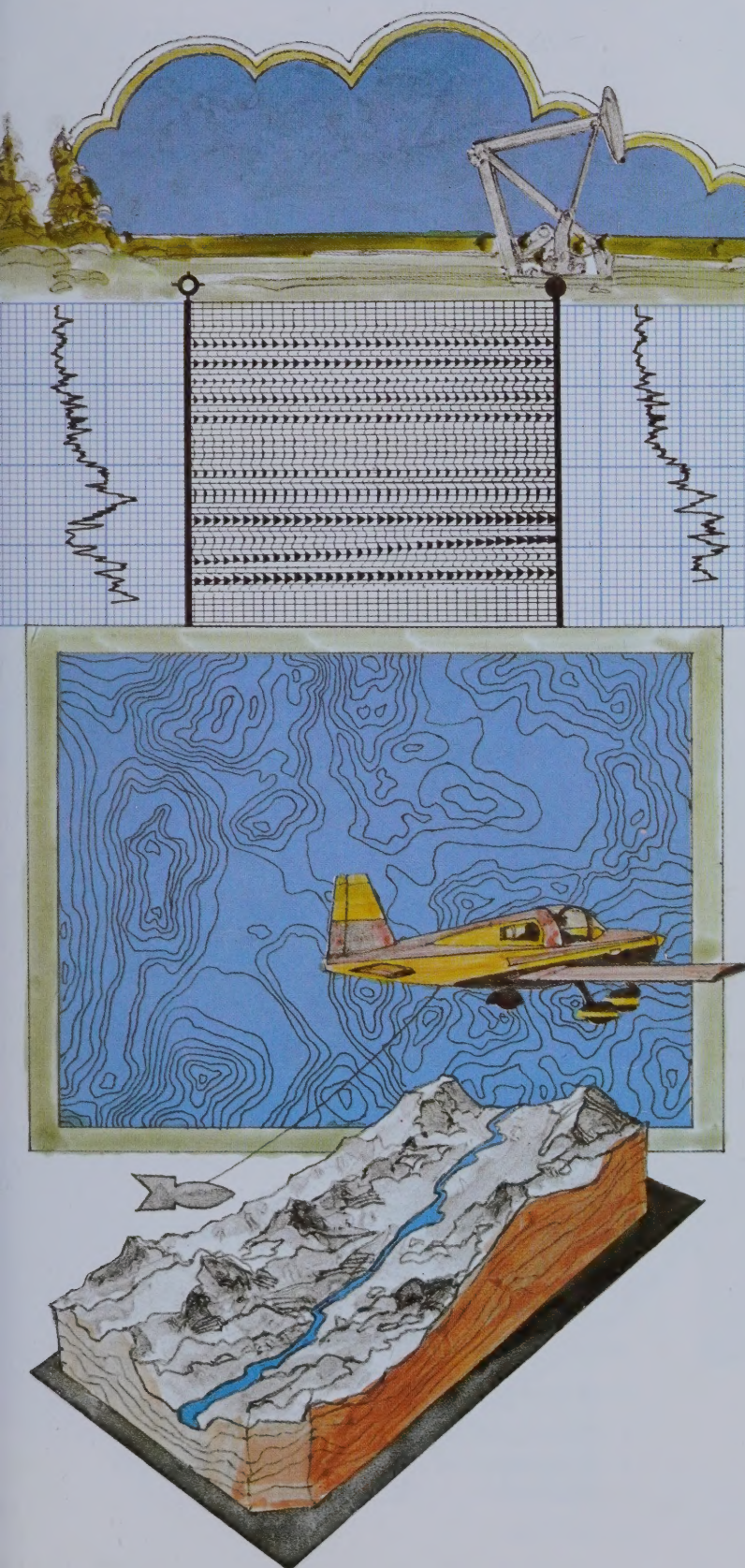
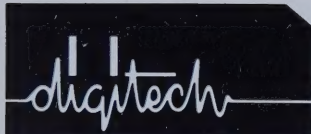
Digitech is an acknowledged leader in the petroleum industry with a continued corporate emphasis on:

- constant and consistent research and development activities;
- depth and breadth of experience and expertise;
- in-depth geophysical and geological expertise;
- combined computer and resource industry experience and expertise to obtain the best 'marriage' of the industry to the technology;
- quality control over all phases of processing;
- an elaborate client data security system to cover all aspects of processing;
- TOTAL CAPABILITY services through our Calgary office.

At Digitech, with our staff of experts and advanced technology, we provide the ultimate in 'state of the art' data processing.

GEOPHYSICAL DATA PROCESSING

Since its incorporation in 1966, Digitech has been actively involved in digital processing of land and marine geophysical survey data for the petroleum exploration industry in Canada and abroad. The result of continuous development of software capabilities and processing techniques by an experienced staff of geophysicists and programmers is available to our clients either through contract processing of data, or, if preferred, via our Remote Job Entry (RJE) facilities to access our processing/graphics software.



GEOPHYSICAL DATA PROCESSING

(Continued)

SEISMIC PROCESSING CAPABILITY

Our seismic processing software is flexible, efficient and easy-to-use. The software and hardware system operate in full floating point mode throughout. Our seismic software offerings include:

DSPS (Digitech Seismic Processing System);

- SONISEIS — wavelet extraction, reflectivity section and inversion to interval velocities;
- multiplex, demultiplex and format conversion/display services;
- Interpretive Processing System* — a comprehensive system for wavelet identification, processing and detailed data analysis.

POTENTIAL FIELD CAPABILITY

Digitech has a variety of programs for data reduction, editing and display of gravity and magnetic data. In addition, the Geo Science Processing System (GSPS) provides access to a variety of analytical statistical techniques such as trend surface analysis with extensive display capabilities available for both two dimensional and three dimensional cases.

MODELING CAPABILITY

Digitech's library of over 10,000 well logs from Western Canada, N.W.T. and the east coast makes seismic velocity and horizon information immediately available. Our software will generate synthetic seismograms or sections using standard or client-specified parameters in DSPS format for display or further seismic processing.

• Synthetic Seismograms

Standard Sonigrams and custom synthetics are generated from density and/or sonic logs. Wavelets may be selected from an extensive library or may be extracted from real data. Random or systematic noise may be introduced.

• AIMS* Advanced Interpretive Modeling System

An internationally recognized system for software seismic modeling. It is appropriate for stratigraphic as well as structural models. Wave theory and ray tracing methods are available.

* Registered trademark of GeoQuest International Inc.



GRAVITY AND MAGNETICS
PROCESSING MAPS

CONTOUR AND TOPOGRAPHICAL
MAPS

WELL LOG ANALYSIS

COMPUTER PROCESSING
AND ANALYSIS

GEOPHYSICAL AND
GEOLOGICAL MODELS



DIGITIZING CAPABILITY

Many years of development and experience in digitizing have produced software systems and operating procedures which have made Digitech the acknowledged service industry leader in digitizing capabilities. This leadership has been achieved through:

ELABORATE QUALITY CONTROL and CORRECTION TECHNIQUES

- utilizing check plots and computer listings in digitizer or engineering units;
- sophisticated digitizing error detection software, ease of digit access for corrections.

USER ACCESS TO DIGIT FILES

- higher level language interfaces to allow user access to data files.

COMPLETE PRODUCT DEVELOPMENT

- digitize original data;
- design and generate data files;
- design and implement retrieval and update software;
- interface to Digitech several standard report generation and plotting facilities.

OTHER DIGITIZING APPLICATIONS INCLUDE

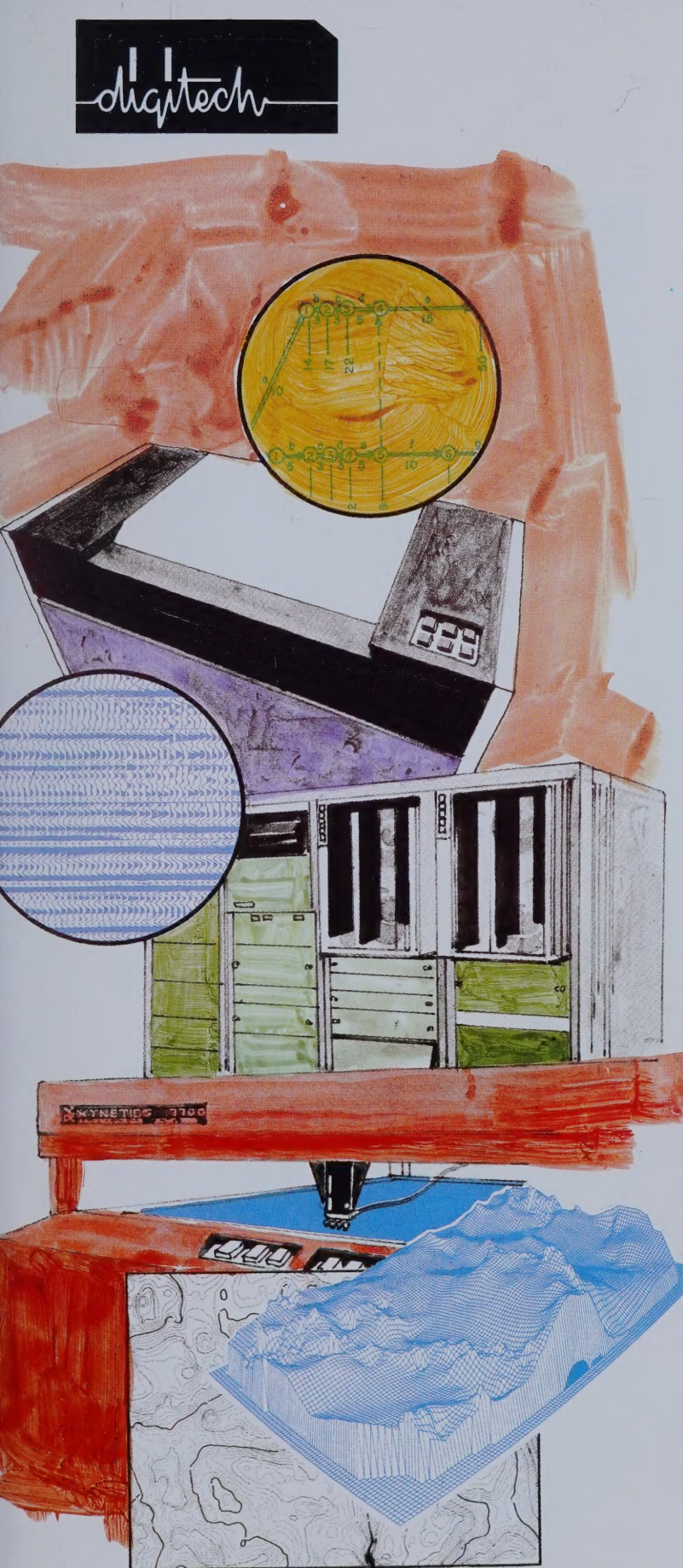
- well logs or any analog strip charts;
- contour or topographical maps;
- correlated horizons from seismic sections;
- seismic shot point locations;
- drill stem tests;
- gravity or magnetic data by point control.

GRAPHICS CAPABILITY

Digitech's plotting capability lies in our extensive hardware and software systems. The plotting hardware includes:

MULTI-COLOR FLATBED PLOTTER (42" x 57" + .0005" resolution)

- general plotting;
- mapping (posted or contoured);
- Sonigrams and other geological/geophysical graphics;
- draftings.



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GRAPHICS CAPABILITY

(continued)

PHOTOGRAPHIC PLOTTER

- seismic data display;
- geological and geophysical plotting;
- automatic annotation and label preparations.

ELECTROSTATIC PLOTTER

- geophysical and geological graphics;
- PERT/CPM charts;
- high speed graphic and text output.

Digitech's extensive plotting software includes:

GSPS (Digitech's Geo Science Processing System)

- This generalized exploration graphics system accepts input data files and allows the user to statistically analyse and/or display the data. Profile or map output may be generated without having to specify the format characteristics for a specific plotter. The capabilities of GSPS include:
 - input from digitizing system or field recorded cards or tape;
 - outputs of plotted maps, drawings, etc., on desired plotter or graphic CRT;
 - output is processed data files and processing reports;
 - access via remote job entry, over-the counter or time-share.

SPECIAL PURPOSE APPLICATIONS SOFTWARE

- geophysical plotting;
- mapping generation;
- drafting.

CLIENT APPLICATIONS

- Data bases can be designed, generated and implemented through Digitech's software which are tailored to the specific requirements of individual clients.



DATA BASE AND FILES CAPABILITY

Digitech specializes in the design, implementation and support of data files through a variety of internal and external data base management systems. Digitech's Data Base Administration Group is responsible for ensuring the quality, currency and integrity of the data base environment in the areas of creation, maintenance, standards, surveillance and security. This group assists and supports clients in the implementation of client generated and maintained data bases and the access of Digitech files including:

PDS (Production Data System)

- production and injection information for all wells which produce or have produced hydrocarbons in most of Canada;
- complete graphics capability.

MEGAFILE

- general well data/drill stem tests logged, cased, cored, completed interval, drilling statistics, geological markers, etc.
- conversational retrievals.

LOGFILE

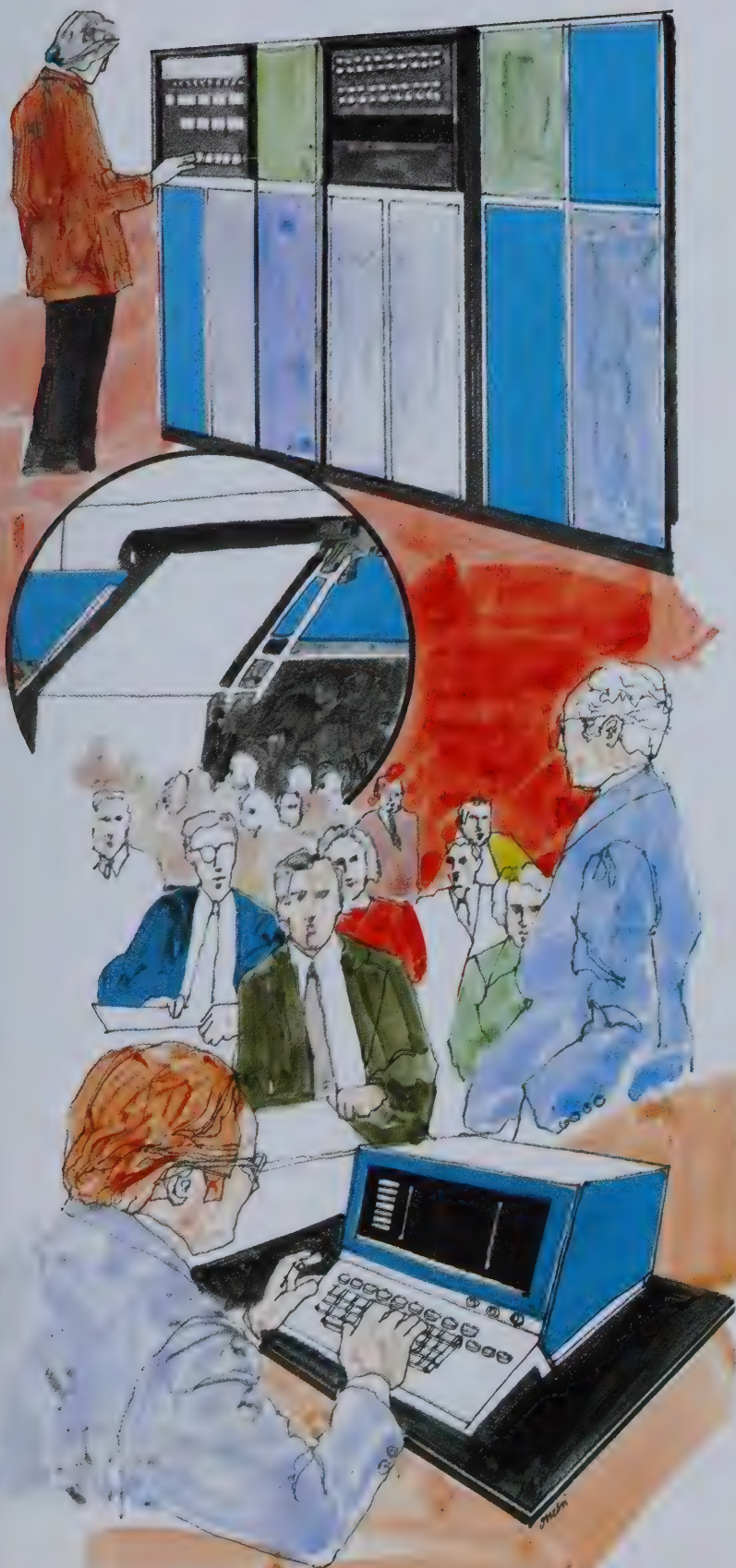
- Digital log libraries of many Western Canadian wells with several log types per well.

Digitech participates in the design, development, implementation and support of special purpose client data bases on a contract or royalty basis under:

DMS-1100 (UNIVAC's Data Base Management System)

- supports batch or demand users;
- 'state of the art' access techniques;
- multi-user interrogation and update of large data files;
- low computer system utilization requirements.

Access to either client or Digitech developed data bases may be in a time-share and/or batch mode or clients may simply request information retrieval on an over-the-counter basis.



COMPUTER SERVICES

Digitech's main strength lies in providing services that require an in-depth knowledge of computer, industry applications and how to best 'marry' the applications to the computer in the most cost-efficient manner. Through computer services, Digitech offers substantial experience and expertise in primary and secondary resource industry applications available to external clients. This total service includes:

COMPUTERS

- large scale UNIVAC mainframe computing systems;
- special purpose mini-computer systems;
- several computer graphics systems;
- access to large scale IBM/AMDAHL and CDC computing systems.

COMMUNICATION

- over-the-counter job submission;
- dial-up low speed terminals;
- high speed remote job entry (RJE);
- computer to computer communications;
- time-share or batch operations.

SYSTEMS and APPLICATIONS SOFTWARE

- wide range of applications software;
- language processors including COBOL, FORTRAN, etc.

DATA BASE FILE SOFTWARE and SUPPORT

- UNIVAC DMS-1100 (Data Management System);
- access to Digitech supported files;
- implementation and support of client generated data bases.

CONTRACT SERVICES

Digitech has developed various in-house software products through our internal resources and makes these resources available to external clients via contract services.

- Digitech sells and supports its internally developed software products. All sales include full documentation, training and support through maintenance, revisions and upgrades.



CONTRACT SERVICES

(continued)

CONTRACT SOFTWARE

- Digitech designs, constructs and implements custom software to meet the specific requirements of a client. Classes of our software expertise include:
 - primary and secondary resource industry applications in terms of exploration, production and modeling;
 - data base applications;
 - graphics and digitizing applications.

FACILITY MANAGEMENT SERVICES

- The years of experience in both resource oriented and general data processing have given Digitech its in-depth expertise in optimizing computer systems-hardware and software. We provide assistance to other companies having similar equipment via:
 - consulting service on the selection of hardware/software systems;
 - supervision of systems hardware/software implementation;
 - maintenance and modification of Operating Systems and support utilities;
 - customer driver software design and implementation.

DIGITECH IN INDUSTRIES

Digitech's expertise lies in providing computer services to the petroleum exploration industry, particularly in geological and geophysical applications. Digitech has also been very successful in obtaining and executing projects which parallel our present experience and expertise. Consider our experience:

- Computer hardware/software operations, limitations and optimum utilization;
- total petroleum industry experience and expertise in geological and geophysical applications;
- in-depth experience in data base management systems, graphics hardware and software, digitizing and modeling applications.

A combination of the above has put Digitech in the position of being able to successfully manage and complete a wide variety of projects in primary or secondary resource industry applications.



GEOPHYSICAL DATA ACQUISITION

DIGISEIS EXPLORATION LTD.

1242 - 34th Avenue N.E.

Calgary, Alberta, Canada T2E 6L9

(403) 276-9831

DIGISEIS EXPLORATION INC.

Suite 120, 6801 South Yosemite

Englewood, Colorado 80112

(303) 770-8222

The DIGISEIS companies further complement Digitech's reputation for providing 'TOTAL CAPABILITY' to the geophysical industry.

DIGISEIS Exploration Ltd. (based in Calgary) and DIGISEIS Exploration, Inc. (based in Denver), are seismic data acquisition contractors.

These companies are equipped with 'state of the art' floating point recording instruments to satisfy the direct link of today's highly technical and complex recording techniques. The Canadian crews use a conventional dynamite energy source and the U.S. crews are equipped with Vibroseis* systems mounted on all terrain vehicles.

Instrumentation utilized by the DIGISEIS crews will afford future potential in portable seismic exploration. The concern about conservation and dense population point out the need for more highly portable crew operations.

A core of experienced and competent personnel are managing both operations which ensures the client of the most reliable and consistent data obtainable in the field. The DIGISEIS companies are quickly acquiring the confidence of the industry for high quality recording and excellent productivity.

* Registered trademark of Continental Oil Co.





SEVEN YEAR STATISTICAL REVIEW

(Thousands of Dollars)

	1979	1978	1977	1976	1975	1974	1973
REVENUE	\$12,175	\$5,973	\$4,399	\$3,729	\$4,949	\$4,165	\$3,326
EXPENSES							
Operating.....	7,153	3,633	3,211	2,718	3,580	2,958	2,453
Selling and administration	1,389	907	648	704	873	700	595
Interest —							
Long-term debt.....	250	59	68	77	95	113	142
Other	14	9	9	—	31	39	12
Share of loss of subsidiaries.....	—	—	—	—	18	30	(12)
Depreciation	674	180	181	310	362	263	321
	<u>9,480</u>	<u>4,788</u>	<u>4,117</u>	<u>3,809</u>	<u>4,959</u>	<u>4,103</u>	<u>3,511</u>
Earnings (deficit) before taxes	2,695	1,185	282	(80)	(10)	62	(185)
Provision for income taxes.....	1,149	580	134	8	48	93	—
Earnings (deficit)	1,546	605	148	(87)	(58)	(31)	(185)
Minority interest/loss discontinued operation.....	195	19	40	157	—	—	—
Earnings (deficit) before extraordinary item	1,351	624	108	(244)	(58)	(31)	(185)
Extraordinary item							
Gain (loss) from discontinuance of certain operations.....	—	—	(10)	(219)	(91)	(167)	—
Reduction in income taxes	381	322	134	8	48	93	—
	<u>381</u>	<u>322</u>	<u>123</u>	<u>(211)</u>	<u>(43)</u>	<u>(74)</u>	<u>—</u>
Net earnings for the year	1,732	946	231	(455)	(101)	(105)	(185)
Retained earnings (deficit), beginning of year.....	279	(667)	(898)	(443)	(342)	(237)	(52)
	<u>2,011</u>	<u>279</u>	<u>(667)</u>	<u>(898)</u>	<u>(443)</u>	<u>(342)</u>	<u>(237)</u>
Dividends.....	597	—	—	—	—	—	—
Retained earnings (deficit), end of year	<u>\$ 1,414</u>	<u>\$ 279</u>	<u>\$ (667)</u>	<u>\$ (898)</u>	<u>\$ (443)</u>	<u>\$ (342)</u>	<u>\$ (237)</u>

FINANCIAL STATEMENTS — 1979

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Price Waterhouse & Co.
Chartered Accountants

LIABILITIES, SHARE CAPITAL AND RETAINED EARNINGS

	1979	1978
Current liabilities:		
Accounts payable and accrued	\$ 1,778,000	\$ 634,000
Deferred revenue	102,000	183,000
Current portion of long-term debt	1,237,000	190,000
Income taxes payable (Note 7)	702,000	258,000
	3,819,000	1,265,000
Deferred income taxes	107,000	—
Long-term debt less current portion	4,166,000	665,000
Minority interests	297,000	93,000
Share Capital (Note 6)		
Authorized —		
5,000,000 shares without nominal or par value		
100,000 preferred shares with a nominal or par		
value of \$20 each		
Issued		
2,652,028 shares without nominal or par value	1,111,000	954,000
Retained Earnings	1,414,000	279,000
	2,525,000	1,233,000
	<u>\$10,914,000</u>	<u>\$3,256,000</u>

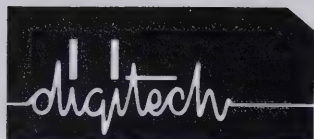
APPROVED BY THE BOARD:



DIRECTOR:



DIRECTOR:

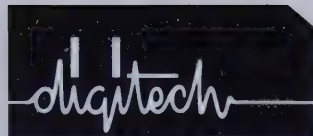


DIGITECH LTD.

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended June 30

	1979	1978
REVENUE	\$12,175,000	\$5,973,000
EXPENSES:		
Operating	7,153,000	3,633,000
Selling and administration	1,389,000	907,000
Interest —		
Long-term debt	250,000	59,000
Other	14,000	9,000
Depreciation and amortization	674,000	180,000
	<u>9,480,000</u>	<u>4,788,000</u>
EARNINGS before the following	2,695,000	1,185,000
Income taxes (Note 7) — current	687,000	258,000
— deferred	462,000	322,000
	<u>1,149,000</u>	<u>580,000</u>
EARNINGS before minority interests and extraordinary item	1,546,000	605,000
Minority interests	195,000	(19,000)
	<u>1,351,000</u>	<u>624,000</u>
EXTRAORDINARY item (Note 7):		
Recovery of income taxes	381,000	322,000
NET EARNINGS for the year	1,732,000	946,000
RETAINED EARNINGS (DEFICIT), beginning of year	279,000	(667,000)
Less: Dividends paid	(597,000)	—
RETAINED EARNINGS, end of year	<u>\$ 1,414,000</u>	<u>\$ 279,000</u>

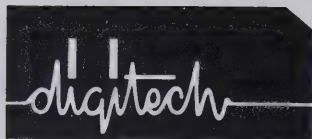


DIGITECH LTD.

Consolidated Statement of Changes in Financial Position

For the Year Ended June 30

	1979	1978
WORKING CAPITAL PROVIDED BY:		
Operations —		
Earnings before extraordinary item	\$1,351,000	\$ 624,000
Add (deduct) non-cash items —		
Depreciation	674,000	180,000
Minority interests	195,000	(19,000)
Deferred income taxes	462,000	322,000
Other	6,000	—
	<u>2,688,000</u>	<u>1,107,000</u>
Extraordinary item — net of non-cash item	26,000	—
Issue of share capital		
Digitech Ltd.	157,000	10,000
Minority interests — subsidiaries	9,000	112,000
Issue of long-term debt	5,185,000	240,000
Other	7,000	16,000
	<u>8,072,000</u>	<u>1,485,000</u>
WORKING CAPITAL USED FOR:		
Investments	240,000	—
Purchase of fixed assets and programs	6,310,000	337,000
Repayment of long-term debt and changes in current portion	1,684,000	186,000
Dividends	597,000	—
	<u>8,831,000</u>	<u>523,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(759,000)	962,000
WORKING CAPITAL, BEGINNING OF YEAR	1,450,000	488,000
WORKING CAPITAL, END OF YEAR	<u>\$ 691,000</u>	<u>\$1,450,000</u>



DIGITECH LTD.

Notes to Consolidated Financial Statements

June 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of Digitech Ltd. and its active subsidiaries, as follows:

DIGISEIS Exploration Ltd.	45.0% owned
DIGISEIS Exploration, Inc.	51.5% owned
Nobbs, Buchner & Associates Ltd.	100.0% owned

INVENTORIES

Geological and geophysical work in progress is valued at the lower of estimated cost or net realizable value, other inventories at the lower of estimated cost or replacement cost.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization is provided on the straight line basis at rates which are designed to amortize the cost of the assets over their estimated useful lives, as shown below:

Computer equipment and accessories	7 years
Furniture and fixtures	10 years
Leasehold improvements	lease term
Seismic and other vehicles and equipment	3 - 4 years

FOREIGN EXCHANGE TRANSLATION

Transactions in U.S. dollars together with the accounts of DIGISEIS Exploration, Inc. have been translated to Canadian dollars; fixed assets at historical exchange rates, all other assets and liabilities at the year end exchange rate, and revenue and expenses, except for depreciation and amortization, at the average monthly rate of exchange. Resulting gains or losses are reflected in earnings.

INVESTMENT IN JOINT VENTURE

The Company accounts for its investment in joint venture using the equity basis of accounting.

2. AMOUNT DUE FROM SHAREHOLDER:

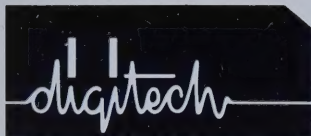
An amount of \$3,000 arising from a share purchase agreement, is due from a shareholder who is a director and officer.

3. INVENTORIES:

	1979	1978
Computer tapes, spare parts and supplies	\$196,000	\$ 95,000
Geological and geophysical work in progress	105,000	142,000
	<u>\$301,000</u>	<u>\$237,000</u>

4. FIXED ASSETS, PROGRAMS AND SYSTEMS:

	Cost	Accumulated depreciation and amortization	1979 Net Book value	1978 Net Book value
Computer equipment and accessories	\$3,651,000	\$ 765,000	\$2,886,000	\$175,000
Furniture and fixtures	237,000	130,000	107,000	63,000
Leasehold improvements	303,000	108,000	195,000	105,000
Seismic vehicles and equipment:				
— purchased	2,564,000	501,000	2,063,000	156,000
— under capital lease	910,000	20,000	890,000	—
Other vehicles	21,000	1,000	20,000	—
Programs and systems	358,000	358,000	—	34,000
	<u>\$8,044,000</u>	<u>\$1,883,000</u>	<u>\$6,161,000</u>	<u>\$533,000</u>



5. LONG-TERM DEBT:

	<u>1979</u>	<u>1978</u>
Canadian Bank debt evidenced by demand notes at rates to prime plus 2% over terms of 40 to 84 months, secured by guarantees and equipment (includes U.S. \$965,000)	\$3,557,000	\$ —
13.69% Promissory Note, secured by equipment, repayable in 36 blended monthly instalments of principal and interest commencing July 1979.	358,000	—
7¾% Promissory Notes, unsecured, carrying restrictions on incurring debt and lease commitments and other matters, repayable in equal annual instalments to 1981	318,000	538,000
8% Promissory Notes, unsecured, interest payable annually and principal due in 1988, to minority shareholders of subsidiaries	303,000	245,000
10¾% Chattel Mortgages, secured by equipment, due in monthly instalments (U.S. funds)	29,000	72,000
Obligations under capital leases, with a weighted average interest rate of 17.92%, payable in U.S. funds in monthly instalments at various dates up to 1983	838,000	—
	<u>5,403,000</u>	<u>855,000</u>
Less: current portion	<u>1,237,000</u>	<u>190,000</u>
	<u>\$4,166,000</u>	<u>\$665,000</u>

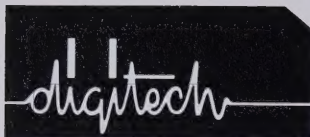
Amounts due in each of the next five years:

	Obligations Under Capital Leases	Other Long-term Debt	Total
1980	\$ 376,000	\$ 983,000	\$1,359,000
1981	245,000	1,315,000	1,560,000
1982	245,000	870,000	1,115,000
1983	245,000	308,000	553,000
1984	—	315,000	315,000
	<u>1,111,000</u>	<u>3,791,000</u>	<u>4,902,000</u>
Less: Imputed interest	<u>273,000</u>	<u>—</u>	<u>273,000</u>
	<u>\$ 838,000</u>	<u>\$3,791,000</u>	<u>\$4,629,000</u>

6. SHARE CAPITAL:

The following options were exercised during the year.

- (i) to the holders of 7¾% promissory notes — 246,132 shares for a cash consideration of \$0.30 per share;
- (ii) as a result of (i), a corporation, owned by Directors of the Company, who hold directly and indirectly in excess of 50% of the outstanding and issued shares of the company — 246,132 shares for a cash consideration of \$0.30 per share;
- (iii) employees under the Employee Stock Option Plan — 23,000 shares for a cash consideration of \$0.40 per share.



Of the authorized, but unissued common stock, 17,180 shares were reserved under the Employee Stock Option Plan as at June 30th, 1979, and of these, 4,000 shares are exercisable at \$0.40 per share until July 31st, 1981 and 13,180 shares are being held for future stock options.

7. INCOME TAXES:

The Company has recognized, in fiscal 1979, the tax benefits resulting from costs not previously claimed for tax purposes. Such benefits are shown in the statement of earnings as an extraordinary item.

8. EARNINGS PER SHARE:

	1979	1978
	Basic	Basic
Earnings before extraordinary item	\$.53	\$.28
Extraordinary item15	.16
Net earnings for the year	<u>\$.68</u>	<u>\$.44</u>

Fully diluted earnings per share are not significantly different from basic earnings per share:

9. COMMITMENTS:

The companies' equipment leases and maintenance commitments total approximately \$1,500,000 per year through 1984. The premises leases aggregate approximately \$290,000 per year. The major premises lease expires in 1983.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

Remuneration of directors and senior officers, including performance bonuses, amounted to \$508,000 during fiscal 1979.

11. SUBSEQUENT EVENT:

On August 30, 1979 the board of directors of the Company approved an agreement in principle to purchase 75% of a drilling and blasting company.

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